

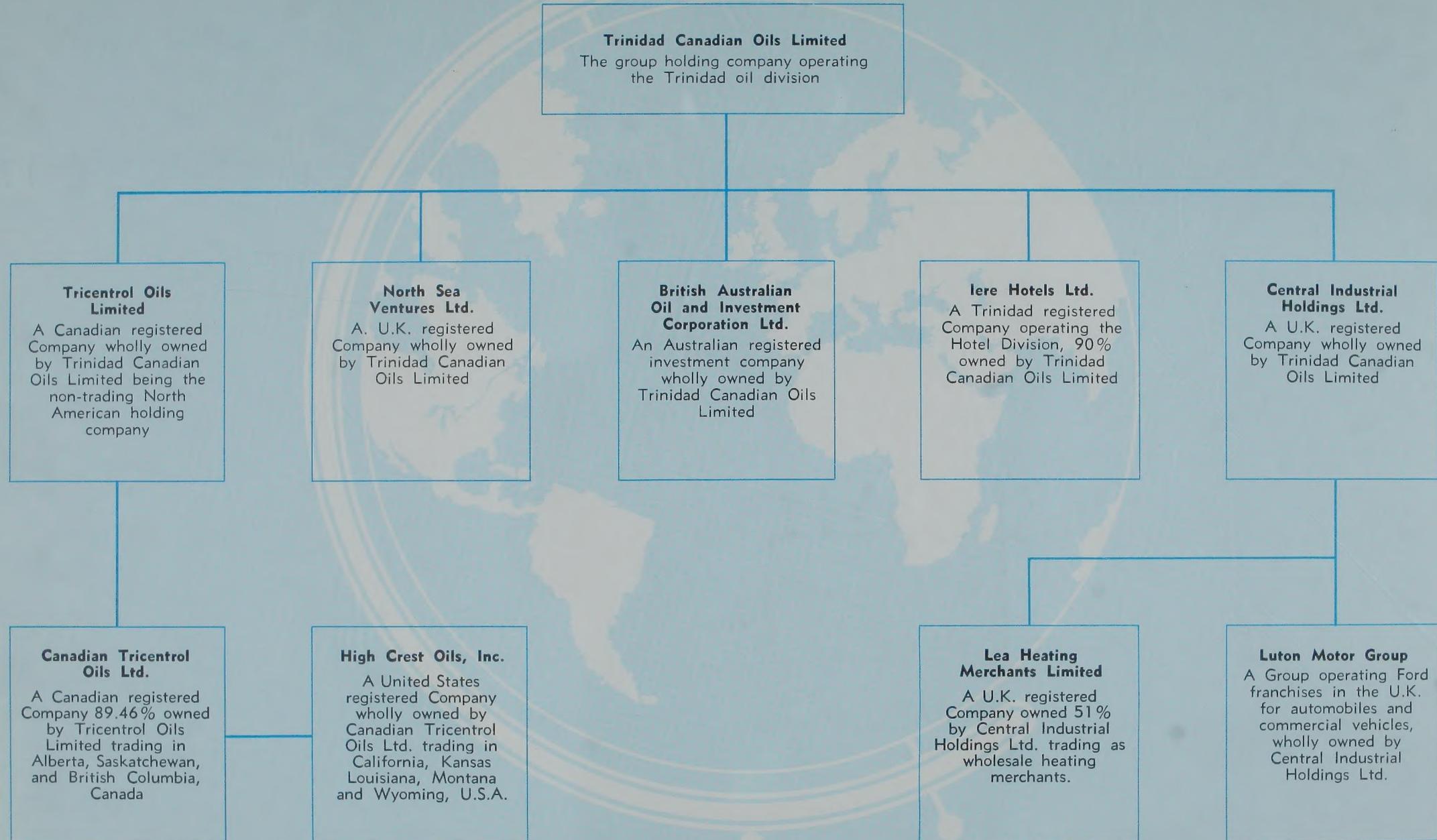
Canadian Tricentrol Oils Ltd.

# ANNUAL REPORT

AR09

for year ending December 31, 1969

# THE PARENT GROUP



# Canadian Tricentrol Oils Ltd.

(Incorporated under the Laws of Alberta)

**Officers:** J. G. S. LONGCROFT . . . . . President  
P. M. S. LONGCROFT . . . . . Vice-President  
R. P. ALGER . . . . . Secretary-Treasurer

**Directors:** R. P. ALGER . . . . .  
A. G. BAILEY . . . . .  
J. G. S. LONGCROFT . . . . .  
P. M. S. LONGCROFT . . . . .  
P. M. MATHIESON . . . . .  
*Calgary, Alberta*  
*Calgary, Alberta*  
*London, England*  
*London, England*  
*Calgary, Alberta*

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**Technical Managers:** STERLING RESOURCES COMPANY LTD. . . . .  
*Calgary, Alberta*

**Transfer Agents:** CANADA PERMANENT TRUST COMPANY . . . . .  
*Calgary, Alberta*  
*Toronto, Ontario*  
*Vancouver, B.C.*

CANADIAN BANK OF COMMERCE  
TRUST COMPANY . . . . .  
*New York, N.Y., U.S.A.*

**Auditors:** DELOITTE, PLENDER, HASKINS & SELLS  
CHARTERED ACCOUNTANTS . . . . .  
*Calgary, Alberta*

**Bankers:** THE ROYAL BANK OF CANADA . . . . .  
FIRST CITY NATIONAL BANK OF HOUSTON . . . . .  
*Main Branch, Calgary, Alberta*  
*Houston, Texas, U.S.A.*

**Stock Exchange Listings:** TORONTO, CALGARY AND VANCOUVER STOCK EXCHANGES

**Registered Office:** 1500 GUINNESS HOUSE, 727 - 7TH AVENUE S.W. . . . .  
*Calgary, Alberta*

**Operations Office:** 2640, ONE CALGARY PLACE, 330 - 5TH AVENUE S.W. . . . .  
*Calgary, Alberta*

# Report of the Directors

## TO THE SHAREHOLDERS:

The highlight of the year 1969 was the signing of a gas contract with Northern Natural Gas Company of Omaha, Nebraska, U.S.A. Delivery of gas under this contract, details of which have already been announced, is subject to approval of the Northern Natural project by the National Energy Board of Canada and the Federal Power Commission of the United States, and it is not anticipated that these regulatory bodies will hand down their decisions on Northern Natural's application to build substantial gas transmission facilities from Empress, Alberta to the North Branch of Minnesota until mid-year.

Our Tiger Ridge gas is to be transported by 144 miles of 16-inch pipeline to Swift Current, Saskatchewan to join Northern's proposed facilities.

The contract provides for payments to commence on 1st July, 1970 whether or not gas is being taken. The Company's share of the reserves of Tiger Ridge field and the northern flank of the Bearpaw Mountains thus far accredited by Northern amount to 330 b.c.f. The "take or pay" amounts will be calculated on the basis of 1 m.m.c.f. per day for every 7.3 b.c.f. of reserves.

During the year the Company received U.S. \$1,830,941 from Northern Natural under a development loan agreement. Last year in this review the President indicated that the Company had of financial necessity to slow down the pace of exploration, and if it had not been for these development loans, it would not have proved possible for the Company to have drilled an adequate number of wells in the Bearpaws to evidence our growing reserves. As it was, in the last nine months of 1969 we were able to drill 84 wells in the Bearpaw area, resulting in 44 gas wells, thus substantially adding to our knowledge of the area.

Considerable costs will be incurred in completing wells for production in the Tiger Ridge field and in unitizing the area prior to production being taken. Even so, the Company's cash flow will accelerate in the second half of 1970, and the Company's technical managers have already designed an exploration program both in the United States and Canada to provide for the investment of these additional funds.

At a Special General Meeting of the Company held on 25th August, 1969, shareholders approved the renewal agreements with various management and technical service companies. Your directors have now been informed by their technical managers that with effect from 1st April, 1970 they have agreed to sell

their businesses to Turner Valley Oil Company Limited. As part of the same reorganization, Turner Valley Oil Company Limited is also acquiring the business of Gaffney, Cline & Associates Ltd., exploration and development consultants and data processors, and the new organization will, through offices in London, England, Trinidad, Singapore and Djakarta, Indonesia, as well as Calgary, Alberta and Billings, Montana be able to offer broader based opportunities to this group. This development is welcomed by your Board. These changes do not alter the control of the technical management companies. Both your President, Mr. James G. S. Longcroft and your Vice-President, Mr. Peter M. S. Longcroft, are directors of Turner Valley Oil Company Limited. The arrangements with Sterling Oil Properties Management (Bermuda) Limited remain unchanged.

On 18th December 1969, Mr. R. S. Longcroft, our President, died, and his advice and guidance will be greatly missed by all his colleagues. During the year certain changes have been made in the Board of Directors. Mr. R. D. Bell did not seek re-election at the last Annual General Meeting, and Mr. J. M. Robertson, Q.C., resigned from the Board of Directors in October 1969, but continues to act as the Company's General Counsel. We have been glad to welcome as directors Mr. Alex Bailey, Mr. Peter Mathieson and Mr. Peter M. S. Longcroft, a director of our group parent company, Trinidad Canadian Oils Limited.

[Redacted] Crude oil sales during the year amounted to 2,076 barrels per day compared with 1,904 barrels per day in 1968. Annual gas sales, however, fell from 2,988 m.c.f. per day in 1968 to 2,493 m.c.f. per day in 1969. During the year the Company participated in 133 wells (58 net) compared with 51 wells in 1968 (15.19 net). [Redacted] The high level of drilling activity during the year resulted in the Company drilling 115,642 feet net compared with 49,295 feet last year. [Redacted] Capital expenditure during the year amounted to \$2,076,425 compared with \$957,645 in 1968. Consolidated gross revenue at \$1,969,601 compares favourably with last year's figure of \$1,853,457, and the consolidated net income after providing for depreciation and depletion at \$408,112 compares with \$401,970 for 1968.

On Behalf of the Board of Directors

JAMES G. S. LONGCROFT  
President.

April 7, 1970.

# GENERAL REVIEW OF YEAR 1969

## WESTERN CANADA

### Alberta

The Company participated with interests varying from 12.4% to 24 $\frac{3}{4}$ % in the drilling of 6 exploratory wells in the Coutts area close to the Alberta/Montana border resulting in the successful completion of 2 Moulton oilwells, a potential gas producer, and 3 dry holes. This drilling program earned the company varying working interests in 3,400 gross lease acres. A Sunburst sand oil discovery was also drilled on option lands in the Manyberries area of southeast Alberta in which the Company holds 48 $\frac{1}{8}$ % interest but 2 follow-up wells were subsequently abandoned as dry.

In the Pembina/Keystone area 2 further development wells were drilled, one being completed as a Cardium oilwell, the other plugged and abandoned. The Company contributed its varying working interests in 33 wells to the Pembina Keystone Cardium Unit No. 3 in exchange for a unit participating equity of 10 $\frac{3}{4}$ %. In addition,

6 Company oil producers were contributed to the Warburg Belly River "M" Unit, in which the Company retains a 4.8% unit equity.

A 24 $\frac{3}{8}$ % working interest was acquired in 10,240 reservation acres in the Sakwa area in early 1969, and a commitment well drilled to a total depth of 9,400 feet before being plugged and abandoned as a dry hole. In the Sedalia area, the Company participated with a 24 $\frac{3}{8}$ % working interest in the drilling of a Viking gas well on farmed-in acreage.

Late in 1969 Canadian Tricentrol acquired a 24 $\frac{3}{4}$ % working interest in a Crown Petroleum and Natural Gas Permit comprising 21,600 gross acres located in the One-Four area. In participation with other companies Canadian Tricentrol also acquired a 24 $\frac{3}{4}$ % interest in 960 gross acres of prospective oil and gas leases in the Little Smoky area south of Sturgeon Lake; the Company also obtained the right to earn by way of drilling operations a 12 $\frac{1}{2}$ % working interest in an additional 27 sections of land in this area.

The Company has surrendered its working interest in 4,320 gross acres (609 net acres) of undeveloped Crown leases located

in the Pakowki Lake area of southeast Alberta. A 12% working interest in a drilling reservation comprising 6,720 acres at Chip Lake was also allowed to expire.

### British Columbia

Canadian Tricentrol participated in the drilling of 2 further wells in the Inga area of Northeast British Columbia, resulting in an Inga sand gas well and a dry hole. A 12.2% working interest was also acquired in two additional Crown leases at Inga totalling 654 gross acres.

### Saskatchewan

The Company joined with partners in drilling 23 exploratory and development wells in the Illerbrun/Butte area during 1969, resulting in the completion of 13 Shaunavon oilwells and 10 dry holes. Working interests varying from between 8.9% and 12.2% are now held in 37 oilwells at Illerbrun from which the Company's share of production averages 243 b.o.p.d. Additional Crown leases in the aggregate of 3,840 gross acres were acquired during the year.

Canadian Tricentrol also participated with a 25% interest in the drilling of 2 additional development wells in the Cantuar Field. An exploratory well drilled in the Bellegarde area, and subsequently abandoned as dry, earned the Company varying working interests in 1,440 gross acres. In the Clarilaw district, the Company has surrendered its 24% interest in 1,280 lease acres considered to be lacking in oil or gas potential.

During the first half of 1969 Canadian Tricentrol increased its working interest in a Southwest Saskatchewan Uraniferous Lignite farmout to 12½% in 1,650,000 acres of mining permits and claim blocks. However, reconnaissance drilling conducted in the latter part of the year has downgraded the potential of the lignite deposits, and no further exploration of this project is contemplated.

## UNITED STATES

### Montana

Following the signing of a gas purchase contract in May, 1969 with Northern Natural Gas Company, of Omaha, Nebraska,

the Company's U.S. subsidiary (High Crest Oils, Inc.) has been engaged in an intensive exploration and development drilling program in the general Bearpaw area of North-central Montana. During the nine months period ending December 31, 1969 the Company participated in the drilling of 72 wells in the Tiger Ridge/Bullhook area, resulting in 41 Eagle Sand gas wells, the remaining 31 wells being plugged and abandoned. In addition, 7 wells were drilled in the outlying Rocky Boy area, of which 3 were completed as gas wells.

The Company also participated in the drilling and plugging of 5 test wells in the Sherard area to the immediate south of Tiger Ridge, where varying interests are held in 160,000 acres under lease. A number of changes were initiated during the year in the Company's acreage position in the State of Montana with a view to advancing land holdings and improving exploration and development prospects. Three wells drilled early in the year on lease blocks comprising more than 72,000 gross acres in the Foothills and associated areas in Northwestern Montana failed to encounter commercial production and were subsequently plugged and abandoned. At December 31, 1969 gross and net lands

held by the Company in Montana totalled 549,940 and 330,820 acres respectively.

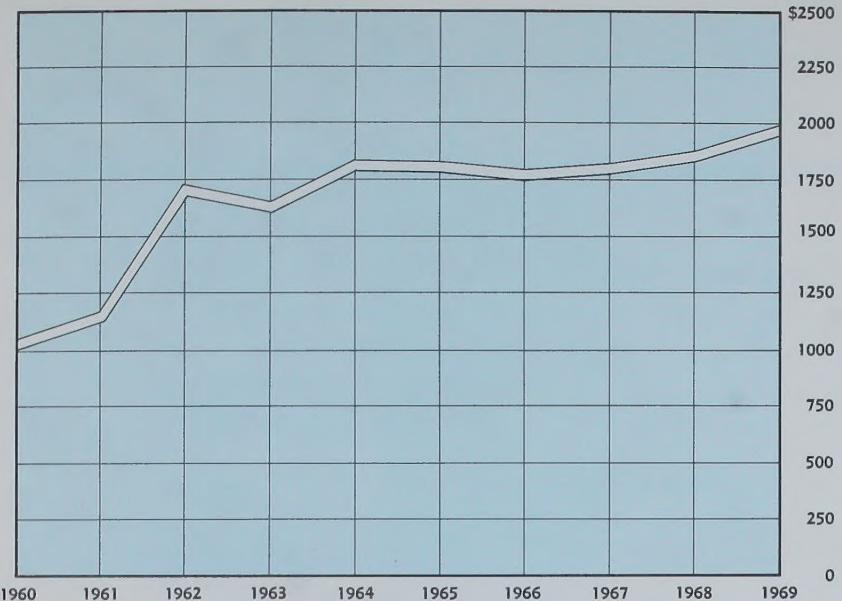
### California

During early 1969 the Company participated with a 12.2% working interest in the drilling of a deep discovery oilwell in the Pico Canyon, South Ventura Basin area of Southern California, and a follow-up well was also successfully completed as an oil producer at a depth of 10,500 feet. Three further wells were drilled during the year in an attempt to evaluate these exploratory successes, each of which were plugged and abandoned as dry holes; drilling of an additional well is currently in progress.

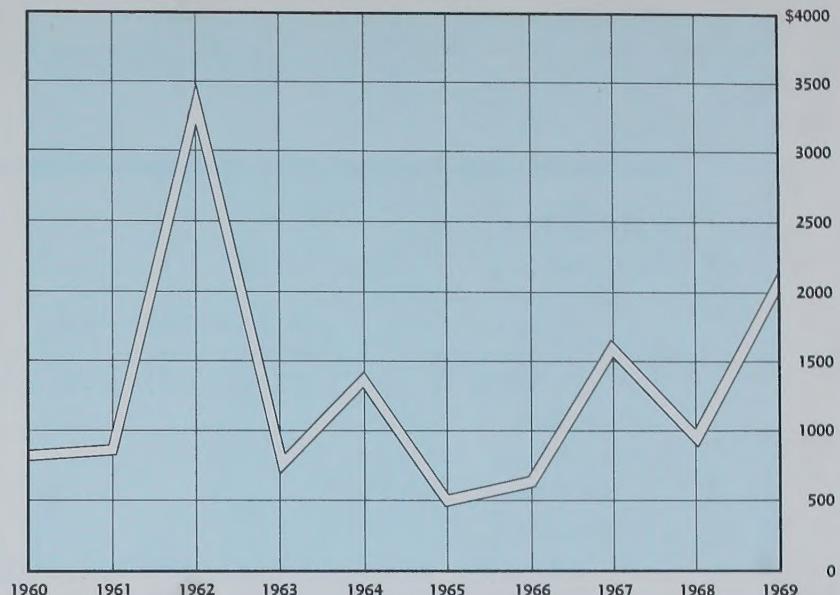
### Louisiana

Production of crude from the Company's properties at University Field declined 32% in 1969 as a result of continuing water encroachment and corrosion of well casing, the Company's share of production having fallen from a level of 142,233 barrels in 1968 to 96,630 barrels in 1969.

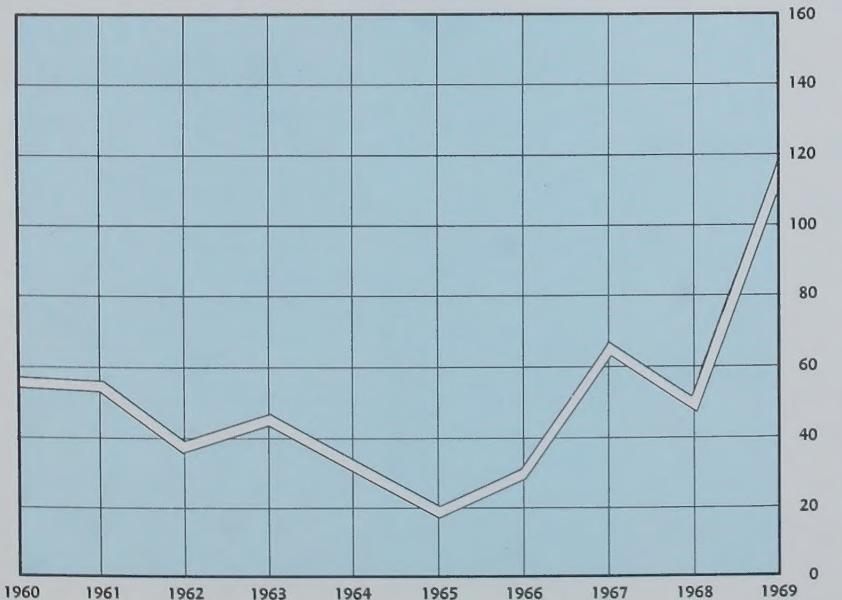
**CONSOLIDATED GROSS OIL AND GAS SALES**  
(Thousands of Dollars)



**CONSOLIDATED NET ACQUISITION AND DEVELOPMENT EXPENDITURES**  
(Thousands of Dollars)



**CONSOLIDATED NET FOOTAGE DRILLED**  
(Thousands of Feet)



**CRUDE OIL SALES**

	1969	1968		
	BBLS.	B/D	BBLS.	B/D
CANADA .....	640,284	1,754	543,281	1,484
U.S.A. ....	117,634	322	153,633	420
	<u>757,918</u>	<u>2,076</u>	<u>696,914</u>	<u>1,904</u>

**NATURAL GAS SALES** (in thousands of cubic feet per day)

Average for the Year:

CANADA .....	2,362	2,760
U.S.A. ....	131	228

**EXPLORATORY AND DEVELOPMENT  
WELLS DRILLED**

	Gross	Net	Gross	Net
CANADA - Oil .....	19	2.75	22	3.71
- Gas .....	3	.53	1	.48
- Dry .....	19	2.96	11	2.18
U.S.A. - Oil .....	2	.24	1	.58
- Gas .....	44	25.59	6	3.51
- Dry .....	46	25.93	10	4.73
	<u>133</u>	<u>58.00</u>	<u>51</u>	<u>15.19</u>

**ACREAGE**

	Gross Acres	Net Acres	Gross Acres	Net Acres
CANADA .....	1,351,053	154,416	1,439,546	161,150
U.S.A. ....	559,258	334,958	439,845	269,345
	<u>1,910,311</u>	<u>489,374</u>	<u>1,879,391</u>	<u>430,495</u>

**Uranium Permits and Claims:**

CANADA .....	1,650,000	206,250	1,650,000	201,094
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# Canadian Tricentrol Oils Ltd.

AND ITS WHOLLY-OWNED SUBSIDIARIES

## ASSETS

	1969	1968
<b>CURRENT ASSETS:</b>		
Cash .....	\$ 120,895	\$ 76,497
Accounts receivable:		
Production and joint operations, less allowance for possible losses		
1969 — Nil; 1968 — \$11,044 .....	326,925	228,408
Other .....	38,749	25,370
Parent company .....	27,313	—
Refundable deposits .....	—	37,495
Inventories:		
Materials and well equipment — at cost .....	—	1,986
Crude oil — at posted field price .....	48,949	53,442
Prepaid expenses .....	62,389	60,028
<b>Total current assets .....</b>	<b>625,220</b>	<b>483,226</b>
<b>DEPOSITS AND NOTE RECEIVABLE — at cost (market value 1969 — \$174,447; 1968 — \$192,333) .....</b>	<b>177,031</b>	<b>194,182</b>
<b>PROPERTIES AND EQUIPMENT — at cost (Note 2):</b>		
Developed lease and royalty interests .....	7,436,924	5,973,764
Production and lease equipment .....	2,581,804	2,297,243
Undeveloped and non-producing properties .....	3,395,855	3,142,407
<b>Less accumulated depletion and depreciation .....</b>	<b>13,414,583</b>	<b>11,413,414</b>
<b>Net properties and equipment .....</b>	<b>3,270,126</b>	<b>3,175,743</b>
<b>INCORPORATION EXPENSE — at cost .....</b>	<b>10,144,457</b>	<b>8,237,671</b>
<b>Approved by the Board:</b>		
J. G. S. LONGCROFT, Director		
R. P. ALGER, Director		
<b>TOTAL .....</b>	<b>\$10,947,314</b>	<b>\$ 8,915,685</b>

# CONSOLIDATED BALANCE SHEET as at December 31, 1969

(with 1968 figures for comparison)

## LIABILITIES AND SHAREHOLDERS' EQUITY

	1969	1968
<b>CURRENT LIABILITIES:</b>		
Bank loan payments due within one year .....	\$ 724,641	\$ 1,290,297
Accounts payable:		
Trade and joint operations .....	357,050	307,934
Parent company .....	25,730	25,730
Accrued liabilities .....	31,523	33,713
Total current liabilities .....	<u>1,138,944</u>	<u>1,657,674</u>
<b>LONG-TERM DEBT:</b>		
Bank loans secured by the hypothecation of certain producing properties and/or the proceeds therefrom — less included in current liabilities .....	1,736,006	1,477,146
Development Loan Agreement payable — repayable in U.S. funds, \$1,830,941 (Note 3) .....	1,975,380	—
Non-interest bearing advances from parent company, no fixed terms of repayment .....	1,114,890	1,498,483
Total long-term debt .....	<u>4,826,276</u>	<u>2,975,629</u>
<b>SHAREHOLDERS' EQUITY:</b>		
Capital stock (Notes 4 and 8):		
Authorized — 1,250,000 common shares of a par value of \$2 each .....		
Issued and fully paid 1969 — 1,148,355 shares, 1968 — 1,051,155 shares .....	2,296,710	2,102,310
Contributed surplus (Note 5) .....	595,630	498,430
Retained earnings .....	2,089,754	1,681,642
Total shareholders' equity .....	<u>4,982,094</u>	<u>4,282,382</u>
 <b>TOTAL</b> .....	 <u>\$10,947,314</u>	 <u>\$ 8,915,685</u>

# Canadian Tricentrol Oils Ltd.

AND ITS WHOLLY-OWNED SUBSIDIARIES

## Consolidated Statement of Income and Retained Earnings

FOR THE YEAR ENDED DECEMBER 31, 1969

(with 1968 figures for comparison)

	1969	1968
<b>INCOME:</b>		
Sale of crude oil and natural gas .....	\$ 1,959,193	\$ 1,842,362
Royalty income .....	10,408	11,095
Total income .....	<u>1,969,601</u>	<u>1,853,457</u>
<b>OPERATING EXPENSE:</b>		
Royalties and production expense .....	839,976	761,676
<b>INCOME FROM PRODUCTION</b> .....	<u>1,129,625</u>	<u>1,091,781</u>
<b>EXPENSES:</b>		
General and administrative .....	193,617	177,365
Interest .....	168,010	152,188
Total expenses .....	<u>361,627</u>	<u>329,553</u>
<b>INCOME BEFORE OTHER INCOME</b> .....	<u>767,998</u>	<u>762,228</u>
<b>OTHER INCOME:</b>		
Interest income .....	36,927	—
Miscellaneous .....	35,447	17,660
Total other income .....	<u>72,374</u>	<u>17,660</u>
<b>INCOME BEFORE DEPLETION AND DEPRECIATION</b> .....	<u>840,372</u>	<u>779,888</u>
<b>PROVISION FOR DEPLETION AND DEPRECIATION</b> .....	<u>432,260</u>	<u>377,918</u>
<b>NET INCOME FOR THE YEAR (Note 6)</b> .....	<u>408,112</u>	<u>401,970</u>
<b>RETAINED EARNINGS AT BEGINNING OF THE YEAR</b> .....	<u>1,681,642</u>	<u>1,279,672</u>
<b>RETAINED EARNINGS AT END OF THE YEAR</b> .....	<u>\$ 2,089,754</u>	<u>\$ 1,681,642</u>

The accompanying notes are an integral part of the financial statements.

# Canadian Tricentrol Oils Ltd.

AND ITS WHOLLY-OWNED SUBSIDIARIES

## Consolidated Statement of Source and Application of Funds FOR THE YEAR ENDED DECEMBER 31, 1969 (with 1968 figures for comparison)

	1969	1968
<b>FUNDS PROVIDED:</b>		
Net income for the year . . . . .	\$ 408,112	\$ 401,970
Depletion and depreciation . . . . .	432,546	377,918
	840,658	779,888
Bank loans . . . . .	1,013,984	737,022
Proceeds from development loan . . . . .	1,975,380	—
Advances from parent company . . . . .	49,907	100,351
Sales of capital stock . . . . .	291,600	8,400
Proceeds from sale of property and equipment . . . . .	4,473	49,864
Collection of advances and deposits . . . . .	21,187	29,753
	4,197,189	1,705,278
<b>FUNDS APPLIED:</b>		
Additions to property and equipment:		
Acquisition of properties . . . . .	274,828	122,766
Exploration and development . . . . .	1,507,748	736,320
Production and lease equipment . . . . .	293,849	98,559
Undeveloped lease rental expense . . . . .	267,224	235,451
	2,343,649	1,193,096
Total additions to property and equipment . . . . .	2,343,649	1,193,096
Repayment of bank loans . . . . .	755,124	925,163
Repayment of advances from parent company . . . . .	433,500	—
Increase in deposits and note receivable . . . . .	4,192	85,249
Miscellaneous . . . . .	—	606
	3,536,465	2,204,114
(INCREASE) DECREASE IN WORKING CAPITAL FOR THE YEAR . . . . .	(660,724)	498,836
DEFICIENCY IN WORKING CAPITAL AT BEGINNING OF THE YEAR . . . . .	1,174,448	675,612
DEFICIENCY IN WORKING CAPITAL AT END OF THE YEAR . . . . .	\$ 513,724	\$ 1,174,448

# Canadian Tricentrol Oils Ltd.

AND ITS WHOLLY-OWNED SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1969

### 1. PRINCIPLES OF CONSOLIDATION:

The accounts of High Crest Oils, Inc., and Montana Natural Gas Company, wholly-owned United States subsidiary companies and Gerla Petroleum Limited are included in the consolidated financial statements. The accounts of the United States subsidiaries were converted: (a) as to current assets and current liabilities at the rate of exchange prevailing at December 31, 1969 and (b) as to properties and equipment, long-term debt and capital stock at historical rates and (c) as to income and expenses (except depletion and depreciation) at the approximate monthly average rate in which the transactions occurred, and as to depletion and depreciation at the exchange rates applicable to the related properties and equipment.

### 2. ACCOUNTING PRACTICES:

The companies use the full cost method of accounting whereby all costs relating to the exploration for and development of oil and gas reserves, including exploration overhead and management fees where appropriate, are capitalized whether the related property is producing or non-producing. Proceeds from the disposal of properties are deducted from net asset costs without recognition of profit or loss. Depletion of oil and gas properties is computed on the total of all such costs by the unit of production method based upon the total estimated recoverable reserves. Depreciation of production equipment is computed in a similar manner.

### 3. DEVELOPMENT LOAN AGREEMENT PAYABLE:

During the year a subsidiary company entered into a gas sale contract whereby it has committed a substantial portion of its gas reserves. In consideration the gas purchaser has advanced to the subsidiary company an amount of \$1,975,380 under a "Development Loan Agreement". The loan is non-interest bearing and convertible at the company's option into a Production Payment or repayable before July 1, 1974.

### 4. CAPITAL STOCK:

During 1969 97,200 (1968 - 2,800) shares of the company were issued pursuant to a stock

option for a cash consideration of \$3 per share. Capital stock has been increased by \$194,400 (1968 - \$5,600) representing the par value of shares issued and the balance of the consideration received has been credited to contributed surplus.

### 5. CONTRIBUTED SURPLUS:

Amounts received by the company in excess of the par value of issued capital stock have been credited to contributed surplus. The account has been reduced in prior years by deficits written-off in the course of company reorganization, and an appropriation to recognize non-recoverable costs of developed properties and surrender or disposal of undeveloped properties. During 1969, contributed surplus was increased by \$97,200 (1968 - \$2,800) which represented the excess consideration of shares issued for cash over par value.

### 6. INCOME TAXES:

No income taxes are payable by the company or its Canadian and United States subsidiaries for 1969 since development expenditure and depletion allowances which may be claimed under the respective Income Tax Acts are in excess of those shown in the accounts of the companies. Subject to any changes which may arise upon assessment of the companies tax returns, approximately \$3,493,278 of unclaimed expenditures or loss carry forward remained at December 31, 1969.

The company does not consider it appropriate to provide for income taxes deferred as a result of claiming for income tax purposes drilling, exploration and lease acquisition costs, in excess of the related charges to earnings and this view conforms with general practice in the oil and gas industry. This practice differs from the tax allocation recommendation of the Canadian Institute of Chartered Accountants that income tax be provided for on the basis of income reported in the accounts. For 1969 capital cost allowances claimed are not significantly different from depreciation recorded in the accounts. If the tax allocation basis had been followed for all timing differences between taxable income and reported income, deferred income taxes of \$130,670,

(\$126,355 - 1968) would have been provided and net earnings for the year would have been reduced accordingly. The accumulated deferred income tax provisions covering the current and prior years would have amounted to \$829,932 at December 31, 1969.

### 7. REMUNERATION OF MANAGEMENT AND OTHERS:

Directors' fees paid during 1969 were \$1,792 (1968 - Nil). No direct remuneration was paid during the year to senior officials of the company since the company and its subsidiaries do not have any employees. Instead \$237,516 (1968 - \$155,191) was paid to various management companies for administrative and technical services and normal overhead charges. Included in this amount is \$141,146 (1968 - \$62,695) paid to the company's technical managers for services in connection with property acquisition, exploration and development which has been capitalized in accordance with the company's adopted accounting practice. The balance of \$96,370 (1968 - \$92,496) is included in general and administration expenses.

### 8. MANAGEMENT CONTRACTS:

Effective January 1, 1970 and as approved by shareholders at a Special General Meeting the company and its subsidiaries entered into management agreements which will provide them with all administrative, property management and technical services.

Under the terms of these agreements the companies are contractually liable for a period of five years for

- (a) a fee of \$50,000 per annum together with all reimbursable costs.
- (b) an incentive option on 100,000 shares of the company, exercisable at any time up to December 31, 1975 at \$30 per share.
- (c) a fee based on 10% of all approved capital expenditures and an assignment of gross royalty equal to 2% of the working interests acquired by the company.
- (d) a 10% reversionary interest in these same properties after recovery by the companies of stipulated costs.

## AUDITORS' REPORT

To the Shareholders of  
CANADIAN TRICENTROL OILS LTD.

We have examined the consolidated balance sheet of Canadian Tricentrol Oils Ltd. and its wholly-owned subsidiaries as at December 31, 1969 and the consolidated statements of income and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company and its wholly-owned subsidiaries at December 31, 1969 and the results of their operations and the sources and applications of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

DELOITTE, PLENDER, HASKINS & SELLS  
Chartered Accountants.

Calgary, Alberta.  
March 16, 1970.

# CANADIAN TRICENTROL OILS LTD.

## Summary of Oil and Gas Property Interests as at December 31, 1969

AREA	GROSS ACRES	NET ACRES	WELLS CAPABLE OF PRODUCTION		WELLS CAPABLE OF PRODUCTION	GROSS ACRES	NET ACRES	WELLS CAPABLE OF PRODUCTION
			Oil	Gas				
<b>CANADA</b>								
<b>ALBERTA</b>								
Acheson	160	18	1	12	Browning	800	195	
Atlee	51,962	5,377			Cantuar	11,200	444	161
Bigoray	1,280	156			Carnduff	3,870	185	59
Braeburn-Saddle Hills	13,440	1,344		2	Coleville	48,461	72	37
Chigwell	160	43	1		Glen Ewen	8,960	398	57
Chip Lake	1,280	231			Hatton	4,959	1,240	
Clive	1,920	960			Hoosier	31,639	147	16
Coutts	3,040	356	2	1	Illerbrun	53,804	4,938	37
Crossfield	14,215	1,325	76		Lampman	1,000	22	13
Etzikom	3,832	3,640		1	Lloydminster	70	63	2
Fenn Big Valley	1,760	1,716			Milton	3,836	932	6
Ghost Pine	144,800	309		37	Oungre	1,280	616	1
Halkirk	1,280	427		1	Parkman	230	57	
Hussar	8,160	289	37	7	Queensdale	80	20	1
Joarcam	4,280	8		103	Steelman	62,516	1,552	675
Judy Creek	960	480			Weyburn	52,720	22	668
Malmo	320	40			<b>TOTAL SASKATCHEWAN</b>	<b>295,097</b>	<b>11,983</b>	<b>1,768</b>
Medicine River	3,760	36		31				62
North Buffalo	1,280	616		1	<b>ROYALTY INTERESTS</b>			
North Pigeon Lake	320	57			<b>ALBERTA</b>			
North Sedalia	3,840	1,216		1	Campbell	120		1
Oyen	1,280	320		1	Halkirk	4,478		1
Pakowki Lake	24,308	2,905		10	Leduc	160		
Pembina	164,234	7,461	1,317		Northern Alberta	76,760		
Pembina River	3,360	840			Pembina	310		2
Red Earth	160	27			Willesden Green	159		1
Sedalia	11,687	2,849		2	<b>SASKATCHEWAN</b>			
Tilley	4,960	597		1	Alameda	480		5
Villeneuve	804	387			Cactus Lake	3,210		
Wainwright	1,940	276		1	Carnduff	720		9
West Virginia Hills	14,720	3,042			Hastings	640		3
Willesden Green	8,960	153		59	Hoosier	1,918		
Wimbourne	27,300	15		24	Illerbrun	1,366		3
<b>TOTAL ALBERTA</b>	<b>525,762</b>	<b>37,516</b>	<b>1,686</b>	<b>101</b>	Northgate	1,600		10
<b>ARCTIC</b>					Queensdale	400		1
Banks Island	401,504	100,376			Steelman	880		9
<b>BRITISH COLUMBIA</b>					<b>TOTAL CANADA</b>	<b>11,214</b>		
Beaton River	346	115						
Blueberry	3,474	212			<b>TOTAL UNITED STATES</b>	<b>1,351,053</b>	<b>154,416</b>	<b>3,539</b>
Buick Creek/Inga	22,372	2,147	44	1				169
Cameron River	8,087	1,300			<b>UNITED STATES</b>			
Laprise Creek	690	673			<b>CALIFORNIA</b>	2,391	292	2
Milligan Creek	520	94			<b>KANSAS</b>	1,400	1,400	10
<b>TOTAL BRITISH COLUMBIA</b>	<b>35,489</b>	<b>4,541</b>	<b>44</b>	<b>2</b>	<b>LOUISIANA</b>	4,008	1,705	25
<b>SASKATCHEWAN</b>					<b>MONTANA</b>	549,940	330,820	2
Alameda	7,600	705			<b>WYOMING</b>	1,519	741	73
Bellegarde	2,072	375			<b>TOTAL UNITED STATES</b>	<b>559,258</b>	<b>334,958</b>	<b>39</b>
					<b>GRAND TOTAL</b>	<b>1,910,311</b>	<b>489,374</b>	<b>3,578</b>
								242



